



Opinium-Cebr

Business Distress Tracker



**Only a third of businesses fully confident of retaining furloughed staff
(6th Wave)**

Mid-July 2020

Introduction

The Opinium-Cebr Business Distress Tracker checks the pulse of the UK business community on a fortnightly basis, as firms across the country grapple with the unprecedented challenges brought about by the coronavirus crisis. The tracker is based on a survey of 500 business across the country, representing a broad range of industries and business sizes.

Topline results

- With the furlough scheme drawing to a close in October, a surge in unemployment is on the cards. Only a third of businesses said that they would definitely retain all of their furloughed staff, while nearly one in five (18%) indicated that they would not be doing so.
- Business conditions continued to improve in July, but only at a modest pace. Businesses' profits are 26% lower than would have been expected were it not for the coronavirus crisis. This is only a slight improvement on the 29% figure recorded at the height of lockdown in mid-April.
- The continued easing of lockdown restrictions contributed to an uptick in business sentiment. The share of businesses with a positive assessment of current trading conditions (34%) is now similar to the share with a negative assessment (35%).
- Despite the reopening of the hospitality sector on July 4th, 80% of businesses in this sector had a negative assessment of current trading conditions in the latest survey (carried out between 9th July and 15th July). This suggests that for most pubs, restaurants and hotels, social distancing requirements, low numbers of tourists and many people's reluctance to venture out mean that the business remains tough.

Notes

A note from Opinium

For the last three months, the Business Distress Tracker has provided up-to-date insights into how businesses are responding to the Coronavirus crisis and has measured the pace of recovery. The latest wave has discovered a combination of further improvements in some areas tempered by continuing concerns about the slow pace of the return to normal.

Perceptions of business prospects over the next 12 months now sit quite strongly in positive territory and, after a second spike in use of the furlough scheme, this is now back on the decline as businesses prepare for it to end. Nevertheless, the trading conditions that businesses have faced have not improved as quickly as their expectations of growth have risen. Similarly, on average businesses expect it will take 34 weeks until there is a return to pre-crisis levels of production. This suggests a considerable period of continued economic disruption to come.

A note from Cebr

The latest wave of the Business Distress Tracker provides an insight into businesses' reaction to the policies announced in the Chancellor's summer statement. While support for the government's economic response has been consistently positive, the picture is more mixed when it comes to the summer statement specifically. Indeed, only a third (34%) believe that the job retention bonus is the best approach and a quarter (25%) feel the furlough scheme should be extended indefinitely for the worst hit sectors.

Meanwhile, business confidence continued to creep up in early July, with the number of businesses with a positive assessment of current trading conditions now largely balancing the number with a negative assessment. However, despite the continued lifting of restrictions, businesses profits have barely budged. On average, firms report that their profits are 26% lower than they would otherwise have been were it not for the coronavirus crisis. For context, this figure was 29% during the height of the lockdown in mid-April and 27% towards the end of May. Thus far, this metric has proven to be a highly accurate gauge of economic activity, which does not bode well for the pace of the recovery in June and July.

The full findings

Business insolvency risks

The gradual re-opening of the economy continued in July, most significantly with the re-opening of the hospitality sector on July 4th. However, the road ahead is littered with obstacles, and more than a third (36%, or 1.9 million) of businesses still feel there is a risk they will enter insolvency as a result of coronavirus-related disruption. This includes more than one in twenty (6%) of firms that say there is a high risk of being forced to close permanently as a result of the coronavirus crisis.

Employment impacts

The latest instalment of the Opinium-Cebr Business Distress Tracker has uncovered a positive shift in the ways in which businesses are dealing with the global pandemic. Here, the proportion of workers facing furlough has dropped considerably from 30% two weeks ago to 23%. This change is further boosted by the fact that businesses do not appear to be offsetting this return to work with cuts elsewhere - there has only been a very slight increase in the percentage of workers who have had their hours reduced (27% increasing to 28%) and no change in the amount facing salary/wage cuts (remaining at 29%).

Business activity rates

The measure of economic activity provided by the Opinium-Cebr Business Distress Tracker has so far proved itself to be among the most accurate real-time measures of output, available several weeks before official data releases. It is therefore a significant cause for concern that despite the re-opening of key sectors such as retail and hospitality, businesses' profits remain on average 26% below where they would have been were it not for the coronavirus crisis. This is only slightly better than the 29% slump in profits during the height of lockdown.

Economic recovery

Businesses' expected recovery times appear to have plateaued in recent weeks. In the latest wave of the tracker, businesses said on average that they would need 34 weeks after the lifting of restrictions to return to their pre-crisis levels of production. This is unchanged from the previous two waves of the Business Distress Tracker.

Methodology

The Coronavirus Business Disruption Tracker surveys 500 senior decision makers in UK businesses of all sizes on a fortnightly basis, in order to provide timely and accurate insights into how the business community is coping with the unprecedent levels of disruption brought about by the coronavirus pandemic and the associated national lockdown.

About Opinium

OPINIUM is an award winning strategic insight agency built on the belief that in a world of uncertainty and complexity, success depends on the ability to stay on pulse of what people **think, feel and do**. Creative and inquisitive, we are passionate about empowering our clients to make the decisions that matter. We work with organisations to define and overcome strategic challenges – helping them to get to grips with the world in which their brands operate. We use the right approach and methodology to deliver robust insights, strategic counsel and targeted recommendations that generate change and positive outcomes.

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